LOCAL PENSION BOARDS

- Origin: Lord Hutton's report

- Legislation: Public Service Pensions Act 2013

- Functions, structure and operations

- The Pensions Regulator: Code of Practice 14

- Scheme Advisory Board

LOCAL PENSION BOARDS

BOARD FUNCTIONS

Assist the Administering Authority:

- To secure compliance with Regulations, other legislation and requirements of Pensions Regulator

- To ensure effective and efficient governance & administration of LGPS

LOCAL PENSION BOARDS

How to operate?

LPB "shall have the power to do anything which is calculated to facilitate, or is conducive to, the discharge of any of its functions"

- Knowledge and Understanding (K & U) are obligatory for Board members (minimum 15 scheme documents, minimum 73 aspects of pensions law)

  NB: most Board members are volunteers, who must have the capacity to fulfil the role. Training is a KEY requirement. TPR Toolkit.

- BUT Board is NOT a decision making body (assist Scheme Manager, review /scrutiny function)

ESTABLISHING LOCAL PENSION BOARDS

Membership:

- Equal number employer and member reps with voting powers: minimum of 4 in total

- An independent Chair, or a voting Chair?

- Terms of Reference approved? Comprehensive?

- Quorum? Both sides present?

- Open to Public?

- First meeting to be before 1 August 2015

- Minimum 2 meetings a year

- No conflicts of interest

LOCAL PENSION BOARDS

- Commission reports /scrutinise/improve

- Identify and share good practice: seek assurances

- Recording & Reporting Breaches: compliance

- TPR focus primarily on administration/governance

- Protect Reputational Risk of Administering Authority

- recommend improvements & justify own existence!

LPBs Work Programme

- Topics that follow the annual / triennial cycles

- Topics with external deadlines

- Risk Register/Scheme documents

- Priorities of The Pension Regulator & COP 14

- Priorities of Scheme Advisory Board

- Priorities of own Committee

The Pensions Regulator

- Established in 2004

- Expanded role (Public Service Pensions Act 2013) now covers governance and administrative aspects of LGPS schemes but **not** funding and investment of funds: also the unfunded public schemes

- **Code of Practice 14** now applies to LGPS (survey "High levels of reported processes in place against most areas of the Code"), but ongoing compliance.

- For LGPS, each Fund reported as separate 'scheme'

The Pensions Regulator (con't)

Powers of Pensions Regulator (TPR) include:

- Issue Improvement notices
- Replace Board members
- Impose civil penalties on Board members and corporate body for breaches of the law

TPR Expectations

- "Processes should be fit for purpose and deliver good outcomes
- We expect all schemes to assess themselves against the legal requirements and the code and have a plan of action to address gaps

  - Source: The Pensions Regulator 29 June 2016

The Pensions Regulator (con't)

TPR focus 16/17

Risk assessment and intelligence gathering

Focus on:

- Basic compliance
- Top 3 risks:
    - Record-keeping
    - Internal controls
    - Poor and ineffective communications

"We will use our educate/enable/enforce regulatory approach to help schemes comply and address key risks"

Source: The Pensions Regulator 29 June 2016

Scheme Advisory Board (SAB)

Purpose

- The purpose of the Board is to both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

- Recommendations may be passed to the DCLG or other bodies.

- likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards (e.g.training).

Looking Forward

- Triennial Valuation March 2016, mindful of…

  GAD Section 13: actuarial assumptions: outliers?

- SAB: Key Performance Indicators

- Guaranteed Minimum Pension: ongoing

- Reporting & Monitoring Breaches: ongoing

- Compliance with Code of Practice 14:ongoing

- Investment Issues: transactions costs, governance re pooling

Conclusions

From Board's perspective

- Review
- Challenge and be pro-active
- Recommend
- Focus on risk including reputational risk & resources
- Focus primarily on Admin & Governance
- Monitor SAB/TPR
- Offer support to help Committee/Panel
- Network /seek good practice
- BUT respect the decision-making boundaries